



**国美**

**GOME RETAIL HOLDINGS LIMITED**  
**国美零售控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 493)

**2021**  
INTERIM REPORT

\* For identification purpose only

# CONTENTS

<b>Financial and Operational Highlights</b>	<b>2</b>
<b>Management Discussion and Analysis</b>	<b>3</b>
<b>Financial Information</b>	
Interim Condensed Consolidated Statement of Profit or Loss	26
Interim Condensed Consolidated Statement of Comprehensive Income	27
Interim Condensed Consolidated Statement of Financial Position	28
Interim Condensed Consolidated Statement of Changes in Equity	30
Interim Condensed Consolidated Statement of Cash Flows	32
Notes to the Interim Condensed Consolidated Financial Information	34
<b>Additional Information</b>	
Disclosure of Interests	63
Restricted Share Award Scheme	65
Share Option Scheme	66
Interests and Short Positions of Substantial Shareholders	66
Other Information	68
<b>Corporate Information</b>	<b>70</b>

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

## Financial Highlights

	<b>First half of 2021 RMBm</b>	First half of 2020 RMBm
Revenue	<b>26,040</b>	19,075
Consolidated gross profit <sup>#</sup>	<b>3,711</b>	2,222
Consolidated gross profit margin	<b>14.25%</b>	11.65%
Loss before finance (costs)/income and tax	<b>(1,265)</b>	(2,005)
Loss attributable to owners of the parent	<b>(1,974)</b>	(2,623)
Loss per share		
– Basic and diluted	<b>(RMB9.1 fen)</b>	(RMB13.1 fen)

<sup>#</sup> Consolidated gross profit = gross profit + other income and gains

## Operational Highlights

- During the Reporting Period, with a consistent focus on the “Home • Living” strategy and based on the development philosophy from the platform perspective, users’ perspective and technology perspective, the Group further promoted the development of the “FUN (真快樂)” online platform as well as the offline local lifestyle service platform, supply chain platform, logistic platform, informatisation-big-data & cloud platform and sharing and joint development platform.
- The GMV of the Group grew by 24.42% as compared with the corresponding period last year.
- The number of communities increased by 30% as compared with the corresponding period last year.
- Approximately 75,000 live broadcasts were completed in the Reporting Period, reaching more than 38 million users.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

During the six months ended 30 June 2021 (the “Reporting Period”), with a consistent focus on the “Home • Living” strategy and based on the development philosophy from the platform perspective, users’ perspective and technology perspective, GOME Retail Holdings Limited (the “Company”, with its subsidiaries, collectively known as the “Group” or “GOME”) further promoted the development of the “FUN (真快樂)” online platform as well as the offline local lifestyle service platform, supply chain platform, logistic platform, informatisation – big-data & cloud platform and sharing and joint development platform. Leveraging on marketing with entertainment features, low price, quality service and technology as its core business strategy, GOME strives to meet the all-round consumption and service needs of family users, so that families could enjoy better products and services at lower prices, and have a better quality life.

During the Reporting Period, attributable to the effective prevention and control of the COVID-19 pandemic in various countries and regions, the global economy has started to recover. The GMV of the Group grew by 24.42% as compared with the corresponding period last year. Focusing on social interaction, the Group developed online communities with its employees as seed users. During the Reporting period, the number of communities increased by 30% as compared with the corresponding period last year. The number of shared products within the communities increased significantly as compared with the corresponding period last year, and the number of sales order and sales amount realised through the sharing within the communities were almost tripled as compared with the corresponding period last year. In addition, through marketing with entertainment and competition features, approximately 75,000 live broadcasts were completed in the Reporting Period, reaching more than 38 million users.

In the first half of 2021, sales revenue of the Group was approximately RMB26,040 million, increased by 36.51% as compared to RMB19,075 million for the corresponding period last year. The consolidated gross profit margin was approximately 14.25%, increased by 2.60 percentage points as compared to 11.65% for the corresponding period last year. The Group’s operating expenses were approximately RMB4,972 million, as compared to RMB4,220 million for the corresponding period last year. The finance costs were approximately RMB1,014 million, basically flat as compared to RMB1,003 million for the corresponding period last year. Taking into account the above factors, the Group’s loss attributable to owners of the parent during the Reporting Period was approximately RMB1,974 million, decreased by 24.74% as compared with a loss of RMB2,623 million for the corresponding period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the Group shared with third parties its efficient open supply chain at low cost, and SKU exceeded 600,000, over 90% of which were non-home appliance products. By establishing the “friend zone” for sharing and joint development, the Group cooperated with SZ Investment Holdings, JD.com, Pinduoduo Inc. and SZ Eternal, etc. in respect of capital, supply chain, channels and industrial chains to share resources and achieve synergy, to become a flat, sharing and decentralised strategic consumption service provider.

### **Business Environment**

During the Reporting Period, attributable to the effective control of the COVID-19 pandemic, social and economic development in various countries showed significant progress and the global economy continued its recovery. Residents’ income and employment condition have been improving steadily, and it is expected to stimulate the rebound in consumption. Nonetheless, the evolvement of the pandemic remains the most significant uncertainty in the near future. The continuous tensions between China and the United States and the increasing geopolitical risk may also have impact on the economic recovery.

In respect of the national policies, under the background of the current national development focus shifting to the balance of fairness and efficiency as well as the “Dual Circulation” growth, the domestic economic growth in the future will place more focus on releasing the potential domestic demands. In addition, since the beginning of the year, anti-trust measures have been implemented on Internet platform companies to suppress the monopoly and unfair competition in the industry. This has brought a more friendly and fair competition environment and greater development space for companies like GOME. At the macro-economic level, the economy of China maintained steady growth, and its GDP in the first half of 2021 recorded a year-on-year growth of 12.7%. However, economic growth mainly relied on exports. In the future, with the easing of the global pandemic measures and the gradual recovery of countries with plenty of resources, the growth of exports will slow down. In addition, real estate investments will continue to be suppressed by policies. The core momentum of economic recovery will mainly rely on consumption and infrastructure. It is expected that policies which promote consumption will be introduced. In respect of the environment of the industry, as a result of the continual implementation of regular pandemic prevention and control measures, consumption behavior and habits further changed and emerging online shopping methods such as group buying in communities and e-commerce live streaming developed rapidly. In addition, to cope with the increasing demand for diversified retail consumption scenarios with features of social interaction and entertainment, there is urgent need for transformation of traditional business models in the retail industry.

## Market Development Potential

In the future, with the introduction of policies to promote consumption and the increase of disposable income, the spending power and willingness of consumers will be further enhanced, which will also lead to the improvement in quality of consumption as consumers pursue personalised, diversified and entertaining consumptions. Amid the upgrade of consumption, retail industry will focus on serving consumers with the use of intelligence technology and big data platform, which will help the industry to better understand consumer's needs and build up consumer stickiness by providing more specific products and services. The formation of closed-loop consumption ecosystem will enable the retail industry to provide better "Home • Living" experience to consumers.

## Business Review

### Adhering to the "Home • Living" Strategy and Enter into the strategy phase two

#### Creating a closed-loop retail ecosystem with six complementary platforms

During the Reporting Period, adhering to the "Home • Living" strategy, the Group has established six platforms, including online platform, offline platform, supply chain platform, logistics platform, big-data & cloud platform and sharing and joint development platform. The six platforms complement each other and create a closed-loop retail ecosystem. The Group is also actively exploring a platform-based integrated innovation model, focusing on the development of branded chain stores, developing "one store with multiple functions", and establishing a comprehensive service system that integrates online and offline and complements each other virtually and also in reality. The Group will continue to operate its businesses from the user, platform, technology and closed-loop perspectives. Featuring socialisation and entertainment and with its operating strategies with focus on entertainment, low pricing, services and technologies, the Group is committed to satisfying all consumption and services needs of family users, and enables household users to acquire better products and services at lower prices.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Online platform

During the Reporting Period, the Group completely revamped and restructured the GOME APP with new functions such as the addition of the 1.0 entertainment module including “Video Shopping Guide”, “Meixin (美信)” and “Short Video + Livestreaming + Matches”. In January 2021, our revamped mobile application “FUN (真快樂)” was launched to the market, and it is the most critical market of the retailing business of the Group. “Genuine (真)” refers to genuine products provided by selected merchants; “quick (快)” refers to prompt and on time delivery; “entertaining (樂)” refers to selling, purchasing, sharing and marketing with entertaining features. The online platform is positioned as “online shopping mall + local daily life services” with “special promotions such as bidding and group buying with entertaining activities” as its marketing initiatives, and provide its merchants with displays of full range of product categories, services and SKUs through “One Store One Webpage”, “One Merchant One Webpage”, “One Group One Webpage” and “One Media One Webpage” systems. The online platform uses video shopping guides to re-define interactive scenarios of each marketing aspect. The platform is user-oriented and focuses on the interests of users and creates value for them in four major aspects, namely commodities, quality and pricing, delivery and installation, as well as sharing and joint development. With focus on entertainment + socialisation and by utilising six major initiatives (namely live short videos, “special promotional entertaining activities”, community operation, “One Store One Webpage”, matches and video shopping guides), the platform provides full range of online, in-store and to-home services.

During the Reporting Period, the number of average monthly active users (MAU) of the “FUN (真快樂)” APP was more than 35 million and the number of average daily active users was nearly 2 million.

## Offline platform

The offline platform is the major marketplace of the daily life services of the Group. By focusing on product display experiences, home value-added services and home entertainment, the platform provides home users with in-store, to-home and online services. Driven by the engagements of users on our “One Store One Webpage” online platform, a full-channel and full-scenario consuming experience comprising offline experiencing and online ordering is formed. The Group has been committed to establishing a city-based offline network coverage through four main types of stores: city showrooms (approximately 120,000 sq.m.), business districts outlet (approximately 50,000 sq.m.), regional store (approximately 20,000 sq.m.) and community outlet (approximately 150 sq.m.). Through these proven outlet models, the Group may attract third party franchisees and continue to expand and increase the intensity of its offline network. Driven by the integration of the online and offline platforms, and focusing on new retailing and new services and targeting family customers within a distance of 3 to 8 kilometers, the Group will be able to provide a multi-business, omni-scenario and cost-effective consumer experience. On the one hand, through technology empowerment, it provides consumers with a omni-scenario interaction and online-offline integration transaction experience. On the other hand, through business empowerment, merchants can join the platform at low cost and enjoy high margins.

# MANAGEMENT DISCUSSION AND ANALYSIS

## The Nationwide Retail Network of the Group

As at 30 June 2021

	Total	GOME	China		
			Paradise	Dazhong	Cellstar
Flagship stores	267	220	27	20	-
Standard stores	945	859	60	22	4
Decoration materials and home furnishing					
in-store shops	25	24	1	-	-
<b>County-level stores</b>	<b>2,556</b>	<b>2,326</b>	<b>159</b>	<b>71</b>	-
Supermarket stores	102	87	7	1	7
<b>Total</b>	<b>3,895</b>	<b>3,516</b>	<b>254</b>	<b>114</b>	<b>11</b>
Net increase in store number	474	457	27	32	(42)
Newly-opened stores	692	613	41	33	5
Closed stores	218	156	14	1	47
<b>Number of cities accessed</b>	<b>1,420</b>				
Among them: Tier 1-2 cities	425				
Tier 3-6 cities	995				
<b>Cities newly accessed</b>	<b>122</b>				



# MANAGEMENT DISCUSSION AND ANALYSIS

## Supply chain platform

The supply chain platform of the Group aims to establish a large-scale procurement platform for all categories of commodities through the business model of “merchants invitation + self-operation + customisation”. With genuine products provided by selected merchants and the “VIP Membership (九九會員)” Program, the Group provides high quality products and services to its users at low prices. In view of the needs of home users, the Group is building up a commodities procurement platform focusing on seven major categories such as home appliances, food and beverage, clothing, shoes and bags, home furnishings, daily necessities, maternal and infant goods, and cosmetic and personal care. In respect of channel operation, in addition to the offline platform, the “FUN (真快樂)” online platform and third-party platforms (such as JD.com, Pinduoduo, Douyin, etc.), the supply chain of the Group may also cooperate with third-party agents. By transforming such agents into sellers, the Group may carry on sales in omni-channels along the supply chain and increase its market share.

## Logistics Platform

The logistics platform of the Group is well established and has been maintaining a leading position in the field of bulky and medium-sized home delivery in urban areas. The automatic distribution system is highly visualised and is one of the most advanced systems in the industry. The platform also serves third party companies, including JD.com and Xiaomi, which accounted for more than 30% of the total capacity.

During the Reporting Period, on top of the well-established warehouse network, the logistics platform of the Group focused on platform development, aiming to establish an open platform for professional third-party logistics solutions covering all product categories and the whole logistics chain with high quality service. The Group has launched the Express Delivery platform which can cover more than 41,000 fourth-tier destinations and offer express delivery for bulk parcels, small parcels, point-to-point service and special delivery of large orders. With the introduction of cloud-based warehouse matching platform, the Group provide integrated supply-chain service management platform for logistics service providers, technology service providers and hardware suppliers which mainly aim to establish connections between the business orders and deliveries and facilitate the effective fulfilment of orders in all online and offline channels. The Group also provide matching services including order taking, order distribution, tendering, billing and operation management for users and service providers through our online delivery platform. By taking advantage on the extensive warehouse network, timely home delivery services and professional installation services of GOME Anxun Logistics as our core competitive edges, we provide professional one-stop warehousing and distribution services in a timely basis for customers with excellent experience.

## MANAGEMENT DISCUSSION AND ANALYSIS

In addition to warehousing and distribution capabilities, the Group also possesses house management service capabilities that are uncommon in the industry. With a professional house management service team, the Group can provide a wide range of comprehensive and localised services, including extended warranties, repair and maintenance, recycling of used appliances as well as community services. We have established experienced service teams and cooperative merchants, and strive to expand our business from “home appliance” experts to “home service” experts. In addition, GOME House Manager has established WeChat official account, mini program, Baidu mini program and Alipay mini program for registered users of GOME House Manager to cover different scenarios and satisfy diversified needs of users. In addition, we have direct connections with the after-sales systems of around 20 home appliance brands to share the service resources and provide professional brand services for users.

### **Informatisation – big-data & cloud platform**

With the support from big data & cloud platform, the Group conducts real-time collection, processing, storage, exploration, search and demonstration of data for its business system. During the Reporting Period, the Group not only issued the Data Management Report (數據治理白皮書), but also launched the data standard management system, smart portrait system, Kungpeng BI platform and lineage management system. The existing Hujing data platform (虎鯨數據平台) was also upgraded and expanded to support the access, storage, analysis and modeling of massive data as well as the development and operation of various real-time and offline computation with high efficiency and stability. Product development has been driven by data management and intelligent analysis with significantly higher efficiency in data collection, application and processing. As the data system has been further consolidated, the Group is able to establish a consumption platform for enjoyable selling, enjoyable purchasing and sharing of joy through digitalised operation.

### **Sharing and joint development platform**

The Group has established a platform for real sharing, coexistence and joint development which realises the integration of all businesses without boundary and provides retail merchants with open and complete retail infrastructure services with an aim to tackle their problems, including not able to obtain operating data on third-party platforms and the lack of traffic from their own APPs. The Group focuses on the product development for consumers (C), merchants (B2) and traffic links (B1) and has launched upgraded versions of “Video Shopping Guides”, “One Store One Webpage” and live short videos. Retail merchants can share and develop retail resources including products, membership and loyalty points, and create additional commercial values through the effective collaboration among merchants at low cost. Empowered with the retail strength of GOME, the platform supports our retail partners and further consolidates the retail resources in the market in order to develop a more efficient ecosystem for the retail industry.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Corporate Governance

The Group strives to continuously improve its corporate governance. Currently, the board of directors of the Company (the “Board”) consists of one executive director, three non-executive directors and three independent non-executive directors. This Board structure complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) that at least one-third of the directors should be independent directors to ensure the independence of the Board. Therefore, shareholder opinions are thoroughly deliberated by the Board in a constructive manner before reaching consensus.

The Group has adopted its corporate governance policy in accordance with the code provisions of the corporate governance code. The Group has implemented all the requirements under the code provisions to further enhance its corporate governance.

## Establishment of the Corporate Culture

During the Reporting Period, following the “Home • Living” strategy and based on the existing culture of “Trust”, the Group further ensured authentic products, fast delivery and entertaining experience with the support of technology and wisdom and pushed forward the “GOME Leadership Principles” in order to enhance efficiency, quality and customer services. To align with these cultural concepts, the Group conducted various activities based on its strategies and business development directions in order to strengthen staff participation in corporate development and enhance their sense of belonging.

## Human Resources

During the Reporting Period, the Group planned its human resources to facilitate the promotion of “Home • Living” strategy. By optimising the recruitment strategy and channels and organising a variety of trainings, operational efficiency of the Group and the implementation of strategies were enhanced with the support of our talented employees.

In order to support the integration of new staff, “double-lead” mentors (“雙領帶”導師) and training session for “Lecture of Strategies” (戰略宣講) were arranged for them. The Group also organised online learning for new staff so that they can understand the strategies of the Group as well as the system operation process and corporate management system promptly. Based on the needs for the implementation of strategies and operation of new business, the Group organised the basic training programs such as “Training for Service Standards of Full-Process Shopping Guides” (全程導購服務標準培訓項目), “General and Electrical Products Knowledge Training Program” (百貨與電器商品知識培訓項目), “Training for Community Management, Livestreaming and One Store One Webpage” (社群、直播和一店一頁運營技能培養項目) and “Quick Learning – Case Study of Store Marketing” (快學快用——門店自主營銷案例學習活動) to enhance the overall working efficiency of frontline staff. In respect of the cultivation for talents at mid and junior level, an online competition and learning event featuring the “Head Coach Challenge” (挑戰主教練) was organised to enhance the leadership of team managers at director-level. The Group also organised the training program of “Three Major Leading Roles – Leadership of Captain On-field” (領導力三角色——場上隊長的團隊領導能力) to strengthen the management skills of store managers and managers and expand the talent reserve.

There have been no material changes to the Group’s remuneration policy during the Reporting Period. As at 30 June 2021, the Group had a total of 35,032 employees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### Revenue

With the gradual alleviation of the COVID-19 pandemic in Mainland China and the launch of the stimulating policies in consumption by the Chinese government, the business environment continued to improve and thus created new opportunities for all industries during the Reporting Period. The Group accelerated the implementation of its “Home • Living” strategy and drove the growth of its business performance simultaneously. Sales revenue was approximately RMB26,040 million during the Reporting Period, increased by 36.51% as compared with RMB19,075 million for the corresponding period last year.

During the Reporting Period, sales revenue from the 1,888 comparable stores was approximately RMB22,150 million, up 34.06% as compared with RMB16,523 million for the corresponding period in 2020. In addition, the proportion of revenue from county-level stores has increased from 8.23% for the corresponding period last year to 12.88% of total revenue, while the revenue from new businesses (including integration of kitchen cabinets with electrical appliances, home decoration and home furnishing, etc.) has increased from 7.02% for the corresponding period last year to 7.85% of total revenue.

Proportion of revenue from each product category over total revenue of the Group is as follows:

	<b>First half of 2021</b>	First half of 2020
As a percentage of sales revenue:		
AV	<b>14.13%</b>	10.80%
Air-conditioner	<b>17.00%</b>	12.56%
Refrigerator and washing machine	<b>20.35%</b>	17.24%
Telecommunication	<b>20.16%</b>	27.52%
Small white appliances	<b>14.11%</b>	10.82%
Computer and digital	<b>6.40%</b>	14.04%
New business	<b>7.85%</b>	7.02%
Total	<b>100%</b>	100%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of Sales and Gross Profit

During the Reporting Period, cost of sales for the Group was approximately RMB22,908 million, accounting for approximately 87.97% of the total sales revenue, as compared with 91.02% for the corresponding period in 2020. The Group's gross profit was approximately RMB3,132 million, increased by 82.84% as compared with RMB1,713 million for the corresponding period last year. Gross profit margin was approximately 12.03%, increased by 3.05 percentage points as compared with 8.98% for the corresponding period last year. The main reason for the increase in gross profit margin was that the gross profit margins for higher-margin products such as AV, refrigerator and washing machine and small white appliances increased and also the sales of these products accounted for a relative larger proportion as compared with the pandemic period last year. The proportion of sales of these categories increased from 38.86% for the corresponding period last year to 48.59% during the Reporting Period.

The gross profit margin of each product category of the Group is as follows:

	<b>First half of 2021</b>	First half of 2020
AV	<b>12.59%</b>	11.29%
Air-conditioner	<b>13.38%</b>	13.77%
Refrigerator and washing machine	<b>16.13%</b>	15.03%
Telecommunication	<b>3.18%</b>	2.41%
Small white appliances	<b>21.52%</b>	14.25%
Computer and digital	<b>2.27%</b>	2.50%
New business	<b>11.08%</b>	12.58%
Total	<b>12.03%</b>	8.98%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Income and Gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB580 million, representing an increase of approximately 13.95% as compared with RMB509 million for the corresponding period in 2020, mainly due to, among others, the increase in fair value gain on investment properties and net gain on foreign exchange during the Reporting Period.

Summary of other income and gains is as follows:

	<b>First half of 2021</b>	First half of 2020
As a percentage of sales revenue:		
Income from installation	<b>0.36%</b>	0.30%
Other service fee income	<b>0.28%</b>	0.33%
Commission income from providing on-line platforms	<b>0.02%</b>	0.06%
Gross rental income	<b>0.26%</b>	0.19%
Government grants	<b>0.20%</b>	0.43%
Gains on financial assets at fair value through profit or loss, net	<b>0.06%</b>	0.65%
Foreign exchange difference, net	<b>0.50%</b>	0.01%
Others	<b>0.55%</b>	0.70%
Total	<b>2.23%</b>	2.67%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Consolidated Gross Profit Margin

Due to the sales of higher-margin bulk home appliances accounted for a larger portion of the total sales, the consolidated gross profit margin for the Group increased by 2.60 percentage points from 11.65% in the corresponding period last year to approximately 14.25% during the Reporting Period. With the gradual alleviation of the COVID-19 pandemic and benefited from the stimulating policies in consumption, the consolidated gross profit margin has improved significantly during the Reporting Period.

## Operating Expenses

During the Reporting Period, in line with the increase in Group's sales revenue, the Group's total operating expenses (comprised of selling and distribution expenses, administrative expenses and other expenses) increased by 17.82% from RMB4,220 million for the corresponding period last year to approximately RMB4,972 million. During the Reporting Period, the Group's operating expenses ratio was 19.09%, decreased by 3.03 percentage points as compared with 22.12% for the corresponding period in 2020. The Group expects that the operating expenses ratio will be maintained at a relatively low level.

Summary of operating expenses is as follows:

	<b>First half of 2021</b>	First half of 2020
As a percentage of sales revenue:		
Selling and distribution expenses	<b>14.26%</b>	15.91%
Administrative expenses	<b>4.07%</b>	4.72%
Other expenses	<b>0.76%</b>	1.49%
Total	<b>19.09%</b>	22.12%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Selling and Distribution Expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB3,714 million, increased by 22.33% as compared with RMB3,036 million for the corresponding period last year.

The increase in selling and distribution expenses was mainly due to the alleviation of the pandemic which boosted the sales revenue and thus increased the selling and distribution expenses during the Reporting Period. Among that, rental expenses increased from RMB12 million for the corresponding period last year to approximately RMB291 million; advertising and promotion expenses increased from RMB142 million for the corresponding period last year to approximately RMB483 million. A total increase of approximately RMB620 million was recorded during the Reporting Period from the above items.

The selling and distribution expenses as a percentage over sales revenue was 14.26%, decreased by 1.65 percentage points as compared with 15.91% for the corresponding period in 2020. The Group has always strive to maintain the selling and distribution expenses at a relatively low level.

Summary of selling and distribution expenses is as follows:

	<b>First half of 2021</b>	First half of 2020
As a percentage of sales revenue:		
Rental	<b>1.12%</b>	0.06%
Salaries	<b>3.19%</b>	4.06%
Utility charges	<b>0.74%</b>	1.00%
Advertising and promotion expenses	<b>1.85%</b>	0.74%
Delivery expenses	<b>1.28%</b>	1.46%
Depreciation	<b>4.87%</b>	8.43%
Others	<b>1.21%</b>	0.16%
Total	<b>14.26%</b>	15.91%



# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB1,061 million, increased by 17.89% as compared with RMB900 million for the corresponding period last year. Among which, salaries increased from RMB499 million for the corresponding period last year to approximately RMB597 million. The proportion over sales revenue was 4.07%, decreased by 0.65 percentage point as compared with 4.72% for the corresponding period in 2020. The Group has always strive to strengthen its control over administrative expenses in order to maintain its expenses ratio at a relatively low level in the industry.

## Other Expenses

During the Reporting Period, the other expenses of the Group mainly comprised fair value loss on derivative financial liabilities embedded in the convertible bonds of approximately RMB141 million, goodwill impairment amounted to approximately RMB72 million, compensation income amounted to approximately RMB23 million and other items amounted to approximately RMB8 million. The total amount of other expenses was approximately RMB198 million, decreased by 30.53% as compared with RMB285 million for the corresponding period last year. The other expenses ratio was approximately 0.76%, down 0.73 percentage point as compared with 1.49% for the corresponding period in 2020. The main reason of impairment loss on goodwill is as follows:

The Group acquired 100% of the shares of Shaanxi Cellstar Telecommunication Retail Chain Company Limited (“Cell Star”) in 2007. Its main business is the operation of mobile phones, computers and other electronic products under the “Cell Star Telecom (蜂巢電訊)” brand in Shaanxi, China. Upon completion of the acquisition, the Group recorded a goodwill of RMB60 million.

The original intention of the acquisition of Cell Star was to increase the Group’s revenue in the sale of electrical appliances in Shaanxi. The result of Cell Star at the time of its acquisition was at an acceptable level. Due to the fierce competition from online sales and the adverse effect of the COVID-19 pandemic, the management has optimised the structure of the Cell Star stores by closing 47 underperformed stores and opening 5 new franchise stores during the Reporting Period, leaving 11 stores at the end of the Reporting Period. In order to better organise the Group’s business in response to fierce market competition, the Group decided to further optimise the structure and integrate the Cell Star business into the Group’s operation. Since the continuous underperformance of Cell Star indicated an impairment of goodwill on Cell Star. An impairment test was conducted according to the requirement of IAS 36 and showing that the recoverable amount was lower than the carrying amount. As a result, goodwill impairment loss of Cell Star of approximately RMB60 million was recognised by the Group during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Loss before Finance (Costs)/Income and Tax**

During the Reporting Period, mainly affected by the increase in sales revenue and consolidated gross profit, the Group's loss before finance (costs)/income and tax significantly decreased by 36.91% from a loss of RMB2,005 million for the corresponding period in 2020 to approximately RMB1,265 million.

## **Net Finance (Costs)/Income**

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB754 million, as compared with RMB710 million in the first half of 2020. The increase in the net finance costs was mainly due to, among others, the interest expenses on the bank borrowings increased from RMB438 million in the corresponding period last year to approximately RMB605 million.

## **Loss before Tax**

As a result of the above-mentioned factors, the Group's loss before tax was approximately RMB2,019 million during the Reporting Period, decreased by 25.64% as compared with a loss of RMB2,715 million for the corresponding period in 2020.

## **Income Tax Expense**

During the Reporting Period, the Group's income tax expense increased slightly from RMB41 million for the corresponding period in 2020 to approximately RMB49 million. The management of the Company considers that the effective tax rate applied to the Group for the Reporting Period was reasonable.

## **Loss for the Period and Loss per Share Attributable to Owners of the Parent**

During the Reporting Period, the Group's loss attributable to owners of the parent was approximately RMB1,974 million, decreased by 24.74% as compared with a loss of RMB2,623 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was approximately RMB9.1 fen, as compared with basic loss per share of RMB13.1 fen for the corresponding period last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cash and Cash Equivalents

As at the end of the Reporting Period, cash and cash equivalents held by the Group were approximately RMB6,079 million, as compared with RMB9,597 million as at the end of 2020. The decrease in the cash and cash equivalents position was mainly due to the Group having repaid its borrowings during the Reporting Period.

## Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB7,759 million, down 7.28% as compared with RMB8,368 million as at the end of 2020. Mainly due to the increase in sales revenue and cost of sales during the Reporting Period, inventory turnover days decreased by 11 days from 75 days in the first half of 2020 to approximately 64 days.

## Prepayments, Other Receivables and Other Assets (current)

As at the end of the Reporting Period, prepayments, other receivables and other assets of the Group amounted to approximately RMB4,337 million, up 34.06% from RMB3,235 million as at the end of 2020. The increase was mainly due to the Group increased its advances to suppliers in order to obtain better merchandises during the Reporting Period.

## Trade and Bills Payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB19,505 million, down 4.46% as compared with RMB20,416 million as at the end of 2020. Mainly due to the increase in sales revenue and cost of sales during the Reporting Period, turnover days of trade and bills payables decreased by 64 days from 221 days for the corresponding period in 2020 to approximately 157 days.

## Capital Expenditure

During the Reporting Period, capital expenditure incurred by the Group amounted to approximately RMB264 million, representing a 31.78% decrease as compared with RMB387 million for the first half of 2020. The capital expenditure during the period was mainly for the development of logistic centers and upgrading the information system of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cash Flows

During the Reporting Period, mainly due to, among others, the increase in prepayments, other receivables and other assets, and the decrease in trade and bills payables, the Group's net cash flows used in operating activities was approximately RMB2,141 million, as compared with cash flows of RMB1,994 million generated for the corresponding period last year.

Mainly due to the inclusion of proceeds paid for the purchase of property and equipment with regard to the development of logistic centers amounted to approximately RMB264 million and the net increase in financial assets at fair value through profit or loss amounted to approximately RMB275 million, net cash flows used in investing activities were approximately RMB672 million, as compared with RMB329 million used in the first half of 2020.

During the Reporting Period, net cash flows used in financing activities amounted to approximately RMB704 million, as compared with RMB1,676 million generated in the first half of 2020. The net cash outflows from financing activities were mainly due to, among others, the Group having repaid its interest-bearing bank loans and corporated bonds during the Reporting Period.

## Interim Dividend and Dividend Policy

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 so as to preserve capital for funding needs of the Group.

Currently, the Board anticipates that the dividend payout ratio will be maintained at approximately 40% of the Group's distributable profit for the relevant financial year. However, the actual payout ratio in a financial year will be determined at the Board's full discretion, after taking into account, among other considerations, the working capital requirement of the Group, business environment, availability of investment and acquisition opportunities.

## Contingent Liabilities and Capital Commitments

As at the end of the Reporting Period, the Group had no material contingent liabilities. The Group had capital commitments of approximately RMB747 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign Currencies and Treasury Policy

The majority of the Group's income and its expenses and cash and cash equivalents were denominated in Renminbi. The Group has adopted effective measures to reduce its foreign exchange risks. The Group's treasury policy is that it will only manage such exposure (if any) when it posts significant potential financial impact on the Group.

The management of the Group estimates that less than 10% of the Group's current purchases are imported products and the transactions are mainly denominated in Renminbi.

## Financial Resources and Gearing Ratio

During the Reporting Period, the Group's working capital, capital expenditure and cash for investments were mainly funded by cash on hand, cash generated from operations, cash from placing of shares, interest-bearing bank and other borrowings.

As at 30 June 2021, the total borrowings of the Group comprised of interest-bearing bank loans, other loans, corporate bonds and convertible bonds.

The current interest-bearing bank loans and other loans comprised:

	<b>Fixed rate</b>	<b>Floating rate</b>	<b>Total</b>
	RMB' 000	RMB' 000	RMB' 000
Denominated in RMB	19,179,448	128,590	19,308,038

The above loans were repayable within 1 year.

## MANAGEMENT DISCUSSION AND ANALYSIS

The non-current interest-bearing bank loans and other loan comprised:

	<b>Fixed rate</b> RMB' 000	<b>Floating rate</b> RMB' 000	<b>Total</b> RMB' 000
Denominated in EUR			
Repayable in the second year	1,657,082	547,837	2,204,919
Repayable in the third to fifth years, inclusive	-	507,505	507,505
Denominated in RMB			
Repayable in the second year	103,000	26,000	129,000
Repayable in the third to fifth years, inclusive	67,510	30,000	97,510
Repayable beyond five years	126,578	2,263,738	2,390,316
	1,954,170	3,375,080	5,329,250

The corporate bonds comprised:

- (1) corporate bonds issued in 2016, renewed and resale in 2019, 2020 and 2021 with an aggregate nominal value of RMB2,479 million issued at fixed coupon rate of 7.6% per annum with remaining term of 1 year;
- (2) corporate bonds issued in 2018, renewed in 2020 with an aggregate nominal value of RMB102 million issued at a fixed coupon rate of 7.8% per annum with remaining term of 4 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the second year;
- (3) corporate bonds issued in 2019, renewed in 2021 with an aggregate nominal value of RMB16 million issued at a fixed coupon rate of 7.8% per annum with remaining term of 4 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the second year; and
- (4) corporate bonds issued in 2020 with an aggregate nominal value of RMB200 million issued at a fixed coupon rate of 7% per annum with a term of 6 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the third year.

# MANAGEMENT DISCUSSION AND ANALYSIS

Convertible bonds comprised:

- (1) 5% convertible bonds due 2023 (with an option to extend to 2025) in the aggregate principal amount of US\$200 million issued in April 2020. As at 31 December 2020, the net proceeds of US\$196.80 million have been fully used to repay the debts and related interests of the Group; and
- (2) 5% convertible bonds due 2023 (with an option to extend to 2025) in the aggregate principal amount of US\$100 million issued in June 2020. As at 31 December 2020, the net proceeds of US\$50.31 million have been used to repay the debts and related interests of the Group, the remaining balance of approximately US\$48.80 million have been fully used to repay the debts and related interests of the Group during the Reporting Period.

The Group's financing activities continued to be supported by its bankers.

As at 30 June 2021, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounted to approximately RMB29,088 million over total equity amounted to approximately RMB2,963 million, decreased from 2,596.85% as at 31 December 2020 to 981.71%. The debt ratio was 43.21% as compared with 46.71% as at 31 December 2020, which was expressed as a percentage of total borrowings over total assets amounted to approximately RMB67,312 million.

## Charge on Group Assets

As at 30 June 2021, the Group's bills payables and interest-bearing bank and other loans were secured by the Group's time deposits amounted to approximately RMB14,144 million and related interest receivables amounted to approximately RMB161 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB7,073 million, the Group's financial assets with a carrying amount of approximately RMB660 million, certain securities held as investment in an associate by the Group with a carrying amount of approximately RMB232 million and leasehold land with carrying amount of approximately RMB94 million. The Group's bills payables, secured interest-bearing bank loans and other loans amounted to approximately RMB34,514 million in total.

## Outlook and Prospects

### **Leveraging on supply chain and channel advantages to reduce costs, enhance efficiency and increase profitability**

On supply chain development, GOME integrated the four elements of entertainment, technology, low price and service to construct a three-in-one supply chain platform of “merchants invitation + self-operation + customisation” and establish a delicate supply chain system based on the principle of intelligent customisation and quality products. The Group continued to strengthen the supply chain of home appliances in order to achieve a high-efficient and low-cost operation model. GOME also joined hands with online and offline third-party vendors to create a professional home appliance supply chain with diverse products and price advantages. The Group cooperated with a number of strategic partners to continuously expand its market share by taking advantage of innovative marketing tools and the changing nature of the online and offline sales scenarios.

Regarding channel operation, GOME adopted the “self-operation + third-party + agency” model to realise cross-channel output through its own online and offline platforms, third-party platforms (JD, PDD, TikTok, etc.) and third-party agent operators. GOME will also actively deepen its cooperation with industry-leading agent operators to transform agent operators into distributors and forge an innovative ecosystem of agent operations.

### **Efficient utilisation of entertainment tools to stimulate consumer market vitality**

With the trend of new retail reforms, GOME regarded entertainment as one of the important development pillars and fully deepened the entertainment marketing model to drive consumer demand. The Group strengthened the interaction between the platform and users in entertainment shopping through diversified means such as live streaming, talent show, limited-time offers, short video, matches and games.

To support the policy of “promoting sales and market development with special festivals” proposed by the Ministry of Commerce, GOME will hold various activities with brand sponsors to set up food stalls, fashion space, interactive sessions and with other fun and trendy features to enhance customer experience.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **In-depth integration of online and offline operations to create a centralised business development ecosystem**

With “designated webpage for each store”, GOME has facilitated the interaction between offline stores and online “FUN” APP platform, and provided services to community household customers within 1-8 km radius. For offline operation, GOME’s grid-based network of offline stores consists of five types of stores: city stores, commercial complex stores, regional stores, community stores and community stations. They provide “Home • Living” solutions for community household customers within 1-8 km radius. In addition, GOME planned to proactively transform its offline outlets to “one store with multiple functions”, and create urban “social living rooms”.

Moreover, to support the Guidance on Construction of Urban 15-Minute Convenient Living Circle issued by the Ministry of Commerce, GOME proactively promoted the joint development of different business models in the convenient living circle, and built a comprehensive commercial service system with in-depth integration of online and offline activities and mutual support between virtual and physical operations. The Group planned to integrate fully merchant resources, connecting smart communities and intelligent housekeeping, and integrating commercial and social functions, thereby creating a centralised business development ecosystem.

### **Continuing to improve logistics service capabilities to promote rural revitalisation and facilitate development of low-tier markets**

In recent years, GOME has continued to improve its logistics service capabilities and increased its efforts in rural market expansion to promote consumption upgrading in rural areas. In addition, GOME is committed to creating high-standard service experience by focusing on three aspects of on-time delivery, speedy delivery and quality experience. As a provider of high-end on-time product for large goods warehousing and delivery, GOME provides customers with customised and on-time delivery value-added services. Moreover, leveraging its leading capabilities of logistics services, GOME will also provide supply chain solutions for different industries.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Advocating fair competition to establish position as a retailing service provider with the philosophy of joint contribution and shared benefits**

GOME has been advocating fair competition in a bid to help the retailing industry to grow in the direction of fairer and healthier development. The Group is dedicated to create an open platform for sharing and co-development geared to assisting suppliers, vendors and customers for executing highly efficient interactions. GOME has leveraged a decentralised retailing infrastructure coupled with its retailing capabilities as driving force to empower partners of the retailing industry in integrating more retailing resources and constructing a highly efficient ecosystem for the retailing industry. This approach would provide most consumers with a low carbon, environmental-friendly, highly efficient for all and data safe environment for sustainable consumption. Moreover, GOME has signed a cooperation agreement with state-owned Shenzhen Investment Holding Capital Co. Ltd and Shenzhen Eternal Asia Supply Chain Company Ltd (002183.SZ) in July 2021. Under this agreement, these three parties will cooperate in areas of capital, supply chain, channel and industry chain to establish a flat, sharing and decentralised strategic platform for massive consumption. Moreover, they will coordinate complementary support on resources. These industry leaders will join hands in sharpening complete chain and fully integrated service capabilities all the way from production, brand incubation, brand operation, channel management, marketing management and end-users sales.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000
<b>REVENUE</b>	5	<b>26,039,905</b>	19,075,037
Cost of sales	6	<b>(22,908,053)</b>	(17,362,417)
<b>Gross profit</b>		<b>3,131,852</b>	1,712,620
Other income and gains	5	<b>579,522</b>	509,012
Selling and distribution expenses		<b>(3,713,780)</b>	(3,035,719)
Administrative expenses		<b>(1,061,110)</b>	(899,649)
Other expenses		<b>(197,590)</b>	(284,589)
Share of losses of associates		<b>(3,775)</b>	(6,717)
<b>Loss before finance (costs)/income and tax</b>		<b>(1,264,881)</b>	(2,005,042)
Finance costs	7	<b>(1,013,908)</b>	(1,002,664)
Finance income	7	<b>259,427</b>	293,083
<b>LOSS BEFORE TAX</b>	6	<b>(2,019,362)</b>	(2,714,623)
Income tax expense	8	<b>(49,475)</b>	(41,224)
<b>LOSS FOR THE PERIOD</b>		<b>(2,068,837)</b>	(2,755,847)
Attributable to:			
Owners of the parent		<b>(1,974,042)</b>	(2,622,506)
Non-controlling interests		<b>(94,795)</b>	(133,341)
		<b>(2,068,837)</b>	(2,755,847)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic		<b>(RMB9.1 fen)</b>	(RMB13.1 fen)
Diluted		<b>(RMB9.1 fen)</b>	(RMB13.1 fen)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB' 000</b>	RMB' 000
<b>LOSS FOR THE PERIOD</b>	<b>(2,068,837)</b>	(2,755,847)
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,493)	(170,634)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(2,493)	(170,634)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	(24,777)	126,813
Gains on assets revaluation for change in use from owner-occupied properties to investment properties, net of tax	588	-
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(24,189)	126,813
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(26,682)</b>	(43,821)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(2,095,519)</b>	(2,799,668)
Attributable to:		
Owners of the parent	(2,000,724)	(2,666,327)
Non-controlling interests	(94,795)	(133,341)
	<b>(2,095,519)</b>	(2,799,668)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		<b>30 June 2021 (Unaudited) RMB' 000</b>	31 December 2020 (Audited) RMB' 000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property and equipment	11	<b>6,105,726</b>	6,296,141
Property under development		<b>1,200,492</b>	1,142,440
Investment properties		<b>4,109,684</b>	3,906,717
Right-of-use assets		<b>8,322,110</b>	8,526,315
Goodwill		<b>10,117,886</b>	10,189,488
Other intangible assets		<b>231,102</b>	265,158
Investments in associates		<b>615,775</b>	171,770
Investment in a joint venture		<b>3,781</b>	3,781
Financial assets at fair value through other comprehensive income		<b>424,415</b>	733,193
Financial assets at fair value through profit or loss		<b>1,678,398</b>	1,596,917
Deferred tax assets		<b>12,265</b>	13,391
Prepayments, other receivables and other assets		<b>726,672</b>	689,776
		<b>33,548,306</b>	33,535,087
<b>CURRENT ASSETS</b>			
Inventories		<b>7,758,794</b>	8,368,454
Trade and bills receivables	12	<b>527,016</b>	427,682
Prepayments, other receivables and other assets		<b>4,337,044</b>	3,234,680
Due from related companies	13	<b>314,097</b>	369,045
Financial assets at fair value through profit or loss		<b>604,207</b>	417,441
Restricted cash	14	<b>14,144,151</b>	14,544,592
Cash and cash equivalents	14	<b>6,078,876</b>	9,597,200
		<b>33,764,185</b>	36,959,094

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		<b>30 June 2021 (Unaudited) RMB' 000</b>	31 December 2020 (Audited) RMB' 000
	Notes		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	15	<b>19,505,058</b>	20,416,229
Other payables and accruals		<b>4,799,111</b>	4,991,622
Due to related companies	13	<b>130,225</b>	121,628
Lease liabilities		<b>2,877,765</b>	3,077,035
Interest-bearing bank and other borrowings	16	<b>21,814,164</b>	23,310,157
Tax payable		<b>1,058,535</b>	1,026,742
		<b>50,184,858</b>	52,943,413
<b>NET CURRENT LIABILITIES</b>			
		<b>(16,420,673)</b>	(15,984,319)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>17,127,633</b>	17,550,768
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>5,821,800</b>	5,747,808
Interest-bearing bank and other borrowings	16	<b>7,273,535</b>	9,617,396
Derivative financial liabilities	17	<b>486,959</b>	351,332
Deferred tax liabilities		<b>582,505</b>	566,586
		<b>14,164,799</b>	16,283,122
<b>Net assets</b>			
		<b>2,962,834</b>	1,267,646
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>566,158</b>	518,210
Treasury shares		<b>(961,906)</b>	(1,033,410)
Reserves		<b>7,103,955</b>	5,431,549
		<b>6,708,207</b>	4,916,349
<b>Non-controlling interests</b>			
		<b>(3,745,373)</b>	(3,648,703)
<b>Total equity</b>			
		<b>2,962,834</b>	1,267,646

**Zhang Da Zhong**  
Director

**Zou Xiao Chun**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent													
	Issued capital RMB' 000	Treasury shares RMB' 000	Share premium RMB' 000	Contributed surplus RMB' 000	Capital reserve RMB' 000	Share based payment reserve RMB' 000	Asset revaluation reserve <sup>†</sup> RMB' 000	Fair value reserve of financial assets at fair value through other comprehensive income RMB' 000	Reserve funds RMB' 000	Exchange fluctuation reserve RMB' 000	Accumulated losses RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000
At 1 January 2021 (audited)	518,210	(1,033,410)	13,799,788	657	(1,845,490)	39,979	305,756	(29,496)	1,738,024	(154,765)	(8,422,904)	4,916,349	(3,648,703)	1,267,646
Loss for the period	-	-	-	-	-	-	-	-	-	-	(1,974,042)	(1,974,042)	(94,795)	(2,068,837)
Other comprehensive income for the period:														
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	(24,777)	-	-	-	(24,777)	-	(24,777)
Change in use from owner-occupied properties to investment properties, net of tax	-	-	-	-	-	-	588	-	-	-	-	588	-	588
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(2,493)	-	(2,493)	-	(2,493)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	588	(24,777)	-	(2,493)	(1,974,042)	(2,000,724)	(94,795)	(2,095,519)
Acquisition of non-controlling Interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,875)	(1,875)
Transfer of fair value reserve upon the disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	83,369	-	-	(83,369)	-	-	-
Transfer from accumulated losses	-	-	-	-	-	-	-	-	(2,247)	-	2,247	-	-	-
Issue of shares	47,948	-	3,730,347	-	(35,914)	-	-	-	-	-	-	3,742,381	-	3,742,381
Shares awarded under share award scheme	-	71,504	(18,848)	-	-	(52,656)	-	-	-	-	-	-	-	-
Equity-settled share based arrangements	-	-	-	-	-	50,201	-	-	-	-	-	50,201	-	50,201
At 30 June 2021 (unaudited)	566,158	(961,906)	17,511,287	657	(1,881,404)	37,524	306,344	29,096	1,735,777	(157,258)	(10,478,068)	6,708,207	(3,745,373)	2,962,834

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent													
	Issued capital RMB' 000	Treasury shares RMB' 000	Share premium RMB' 000	Contributed surplus RMB' 000	Capital reserve RMB' 000	Share based payment reserve RMB' 000	Asset revaluation reserve <sup>#</sup> RMB' 000	Fair value reserve of financial assets at fair value through other comprehensive income RMB' 000	Reserve funds RMB' 000	Exchange fluctuation reserve RMB' 000	Accumulated losses RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000
At 1 January 2020 (audited)	518,322	(1,086,657)	13,829,135	657	(1,845,490)	-	117,468	(81,873)	1,738,024	(140,505)	(1,449,157)	11,599,924	(3,438,872)	8,161,052
Loss for the period	-	-	-	-	-	-	-	-	-	-	(2,622,506)	(2,622,506)	(133,341)	(2,755,847)
Other comprehensive income for the period:														
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	126,813	-	-	-	126,813	-	126,813
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(170,634)	-	(170,634)	-	(170,634)
<b>Total comprehensive income/ (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,813</b>	<b>-</b>	<b>(170,634)</b>	<b>(2,622,506)</b>	<b>(2,666,327)</b>	<b>(133,341)</b>	<b>(2,799,668)</b>
Transfer of fair value reserve upon the disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(26,758)	-	-	26,758	-	-	-
Transfer from accumulated losses	-	-	-	-	-	-	-	-	4,625	-	(4,625)	-	-	-
Shares awarded under share award scheme	-	31,243	(13,372)	-	-	(17,871)	-	-	-	-	-	-	-	-
Shares repurchased for share award scheme	-	(12,420)	-	-	-	-	-	-	-	-	-	(12,420)	-	(12,420)
Equity-settled share based arrangements	-	-	-	-	-	27,244	-	-	-	-	-	27,244	-	27,244
<b>At 30 June 2020 (unaudited)</b>	<b>518,322</b>	<b>(1,067,834)</b>	<b>13,815,763</b>	<b>657</b>	<b>(1,845,490)</b>	<b>9,373</b>	<b>117,468</b>	<b>18,182</b>	<b>1,742,649</b>	<b>(311,139)</b>	<b>(4,049,530)</b>	<b>8,948,421</b>	<b>(3,572,213)</b>	<b>5,376,208</b>

<sup>#</sup> The asset revaluation reserve arose from changes in use from owner-occupied properties to investment properties carried at fair value.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	(2,271,347)	1,789,975
Interest received	129,481	201,730
Income tax refund	1,178	2,315
Net cash flows (used in)/from operating activities	<u>(2,140,688)</u>	<u>1,994,020</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment, investment properties and land use rights	(263,557)	(387,056)
Net cash flows from changes in financial assets	(262,744)	26,074
Investment in an associate	(165,600)	-
Proceeds from disposal of property and equipment	3,568	1,117
Other cash flows from investing activities	16,511	30,783
Net cash flows used in investing activities	<u>(671,822)</u>	<u>(329,082)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of shares	3,742,381	-
Repurchase of shares	-	(12,420)
Interest paid	(1,054,777)	(1,307,943)
Proceeds from the issuance of corporate bonds	-	285,210
Net cash flows from changes in interest-bearing bank and other borrowings	(1,151,152)	4,335,310
Principal portion of lease payments/finance lease rental payments	(1,317,912)	(317,008)
Repayment of corporate bonds	(2,546,390)	(3,386,101)
Proceeds from the issuance of convertible bonds	-	2,122,150
Decrease/(increase) in pledged deposits for bank and other borrowings	1,356,239	(176,360)
Other cash flows from financing activities	267,863	132,689
Net cash flows (used in)/from financing activities	<u>(703,748)</u>	<u>1,675,527</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(3,516,258)</u>	<u>3,340,465</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Notes	<b>RMB' 000</b>	RMB' 000
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,516,258)</b>	3,340,465
Cash and cash equivalents at 1 January	<b>9,597,200</b>	8,186,507
Effect of foreign exchange rate changes, net	<b>(2,066)</b>	(90,210)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>6,078,876</b>	11,436,762
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	14 <b>3,681,243</b>	7,504,722
Non-pledged time deposits with original maturity less than three months when acquired	14 <b>2,397,633</b>	3,932,040
	<b>6,078,876</b>	11,436,762

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 1. CORPORATE AND GROUP INFORMATION

GOME Retail Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

The principal activities of the Company and its subsidiaries (the “Group”) are the operations and management of retail stores for electrical appliances, consumer electronic products and general merchandise, as well as full category of on-line sales network in Mainland China through self-operated and platform models.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB16,420,673,000 as at the end of the reporting period. In preparing this interim condensed consolidated financial information, the directors have given careful consideration to the current and anticipated future liquidity of the Group.

Taking into account, inter alia, (i) the expected net cash inflows generated from the Group’s operations for the next twelve months; and (ii) the unutilised banking facilities at the end of the reporting period, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due. Accordingly, the directors consider that the preparation of this interim condensed consolidated financial information on a going concern basis is appropriate.

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the current period's financial information.

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

The nature and impact of the new and revised IFRSs are described below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on various Interbank Offered Rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has one reportable operating segment which is the operations and management of retail stores of electrical appliances, consumer electronic products and general merchandise, as well as full category of on-line sales network in Mainland China through self-operated and platform models. The corporate office in Hong Kong does not earn revenues and is not classified as an operating segment. Accordingly, no segment information by profit, assets and liabilities is presented.

### Geographical information

All (2020: all) revenue of the Group was derived from customers in Mainland China and over 95% (2020: 95%) of the Group's non-current assets, other than financial instruments and deferred tax assets, were located in Mainland China.

### Information about major customers

During the six months ended 30 June 2021, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2020: Nil).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB' 000</b>	RMB' 000
<b>Revenue from contracts with customers</b>	<b>26,039,905</b>	19,075,037
<b>Other income and gains:</b>		
Income from installation	95,407	56,384
Income on extended warranty service	72,608	63,629
Compensation and penalty income	4,525	1,464
Other income from telecommunication service providers	15,522	7,944
Commission income from providing on-line platforms	4,970	11,496
Gross rental income	67,004	36,035
Government grants*	52,249	81,984
Income from bank deposits and financial products	-	8,061
Gains on lease modification	7,633	27,360
Gains on subleases of right-of-use assets	9,478	31,104
Income on the net investment in finance leases	7,776	6,501
Fair value gains on investment properties	69,622	9,582
Fair value gains on financial assets		
at fair value through profit or loss, net	16,172	123,283
Foreign exchange gains, net	128,900	1,576
Others	27,656	42,609
	<b>579,522</b>	509,012

Note:

- \* Various local government grants were received to reward the Group's contributions to the local economy. There was no unfulfilled conditions or contingency attaching to these government grants.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 5. REVENUE, OTHER INCOME AND GAINS *(continued)*

### Revenue from contracts with customers

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000
<b>Type of goods or services</b>		
Total revenue from contracts with customers from sale of electrical appliances, consumer electronic products and general merchandise	<b>26,039,905</b>	19,075,037
<b>Geographical market</b>		
Mainland China	<b>26,039,905</b>	19,075,037
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>26,039,905</b>	19,075,037

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	For the six months ended 30 June	
		2021	2020
		(Unaudited) RMB' 000	(Unaudited) RMB' 000
Cost of inventories sold		22,961,937	17,249,784
(Reversal of provision)/provision against inventories		(53,884)	112,633
<b>Cost of sales</b>		<b>22,908,053</b>	<b>17,362,417</b>
Depreciation of property and equipment		351,125	326,061
Depreciation of right-of-use assets		1,093,081	1,487,286
Amortisation of other intangible assets		34,056	34,532
Losses of closing stores**		15,800	65,075
Compensation and penalty*		(22,733)	24,114
COVID-19-related rent concession from lessors		(7,911)	(175,011)
Losses on disposal of property and equipment*		1,610	1,844
Fair value (gains)/losses, net:			
Financial assets at fair value through profit or loss	5	(16,172)	(123,283)
Derivative financial liabilities embedded in the convertible bonds issued*	17	141,292	168,778
Fair value gains on investment properties	5	(69,622)	(9,582)
Gross rental income	5	(67,004)	(36,035)
Foreign exchange differences, net	5	(128,900)	(1,576)
Impairment losses on goodwill*		71,602	-
(Reversal of impairment losses)/impairment losses on financial assets*		(21,488)	17,360

Notes:

\* These items are included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

# Write-off of certain leasehold improvements of RMB5,234,000 (six months ended 30 June 2020: RMB63,621,000) were included in this item.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 7. FINANCE (COSTS)/INCOME

An analysis of finance costs and finance income is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Finance costs:		
Interest on bonds payable	(214,350)	(257,615)
Interest on bank borrowings	(605,444)	(438,216)
Interest on lease liabilities	(280,983)	(380,194)
Total interest expense on financial liabilities not at fair value through profit or loss	(1,100,777)	(1,076,025)
Less: Interest capitalised	86,869	73,361
	<b>(1,013,908)</b>	<b>(1,002,664)</b>
	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Finance income:		
Bank interest income	256,374	278,492
Interest income from loans to investees	3,053	14,591
	<b>259,427</b>	<b>293,083</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime for the year of assessment 2020/2021. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2021 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000
Current – Charge for the period	30,616	3,807
Deferred	18,859	37,417
Total tax charge for the period	49,475	41,224

## 9. DIVIDENDS

Pursuant to the resolution of the board of directors dated 27 August 2021, the board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 so as to preserve capital for the funding needs of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 21,636,633,000 (six months ended 30 June 2020: 20,066,871,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the impact of convertible bonds outstanding and share award granted had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of the basic and diluted loss per share are based on:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB' 000</b>	RMB' 000
	<hr/>	
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<b>(1,974,042)</b>	(2,622,506)
	<hr/>	
	<b>Number of shares</b>	
	<b>2021</b>	2020
	<b>' 000</b>	' 000
	<hr/>	
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<b>21,636,633</b>	20,066,871
	<hr/>	

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property and equipment at a total cost of RMB197,468,000 (30 June 2020: RMB409,952,000).

Assets with a net carrying amount of RMB5,178,000 were disposed of by the Group during the six months ended 30 June 2021, resulting in a net loss on disposal of RMB1,610,000. Besides, leasehold improvement with a net carrying amount of RMB5,234,000 were written off as a result of the closure of retail stores.

## 12. TRADE AND BILL RECEIVABLES

	<b>30 June 2021 (Unaudited) RMB' 000</b>	31 December 2020 (Audited) RMB' 000
Trade receivables	<b>547,999</b>	447,439
Bills receivables	<b>515</b>	-
	<b>548,514</b>	447,439
Impairment	<b>(21,498)</b>	(19,757)
	<b>527,016</b>	427,682

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2021 (Unaudited) RMB' 000</b>	31 December 2020 (Audited) RMB' 000
Within 3 months	<b>483,119</b>	407,854
3 to 6 months	<b>42,998</b>	9,950
Over 6 months	<b>899</b>	9,878
	<b>527,016</b>	427,682

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 13. DUE FROM/TO RELATED COMPANIES

### Due from related companies

		<b>30 June 2021 (Unaudited) RMB' 000</b>	31 December 2020 (Audited) RMB' 000
	Notes		
Advances to associates	<i>(i)</i>	<b>2,370</b>	133,501
Due from other related companies	<i>(i)</i>	<b>311,727</b>	235,544
		<b>314,097</b>	369,045

### Due to related companies

		<b>30 June 2021 (Unaudited) RMB' 000</b>	31 December 2020 (Audited) RMB' 000
	Notes		
Due to GOME Ruidong*	<i>(i)</i>	<b>66,667</b>	66,667
Due to Anxun Logistics*	<i>(ii)</i>	<b>24,084</b>	19,762
Due to other related companies	<i>(i)</i>	<b>39,474</b>	35,199
		<b>130,225</b>	121,628

\* These companies represent 北京國美銳動電子商務有限公司 (“Beijing GOME Ruidong e-Commerce Co., Ltd.” or “GOME Ruidong”) and 安迅物流有限公司 (“Anxun Logistics Co., Ltd.” or “Anxun Logistics”), which are owned by Mr. Wong Kwong Yu (“Mr. Wong”), the controlling shareholder of the Company.

(i) These balances were interest-free, unsecured and have no fixed terms of repayment.

(ii) This balance was interest-free, unsecured and repayable within 45 days.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

		30 June 2021 (Unaudited) RMB' 000	31 December 2020 (Audited) RMB' 000
	Notes		
Cash and bank balances		<b>3,681,243</b>	6,668,250
Time deposits		<b>16,541,784</b>	17,473,542
		<b>20,223,027</b>	24,141,792
Less: Pledged time deposits for bills payable	15	<b>(5,023,752)</b>	(4,052,867)
Pledged time deposits for interest-bearing bank and other borrowings	16	<b>(9,120,399)</b>	(10,476,638)
Restricted cash		-	(15,087)
		<b>(14,144,151)</b>	(14,544,592)
Cash and cash equivalents		<b>6,078,876</b>	9,597,200

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 15. TRADE AND BILLS PAYABLES

	<b>30 June 2021 (Unaudited) RMB' 000</b>	31 December 2020 (Audited) RMB' 000
Trade payables	<b>6,590,088</b>	6,374,841
Bills payables	<b>12,914,970</b>	14,041,388
	<b>19,505,058</b>	20,416,229

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the goods receipt date, is as follows:

	<b>30 June 2021 (Unaudited) RMB' 000</b>	31 December 2020 (Audited) RMB' 000
Within 3 months	<b>10,083,744</b>	10,853,647
3 to 6 months	<b>5,045,471</b>	2,579,143
Over 6 months	<b>4,375,843</b>	6,983,439
	<b>19,505,058</b>	20,416,229

Certain of the Group's bills payables are secured by:

- (i) certain of the Group's time deposits (note 14) amounting to RMB5,023,752,000 (2020: RMB4,052,867,000) and related interest receivables amounting to RMB38,543,000 (2020: RMB34,189,000);
- (ii) mortgages over the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,996,774,000 (2020: RMB1,295,525,000); and
- (iii) mortgages over the Group's investment properties situated in Mainland China which had an aggregate fair value of approximately RMB280,077,000 (2020: RMB368,586,000).

The trade and bills payables are non-interest-bearing and are normally settled on terms of one to six months.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021		31 December 2020	
	Maturity	(Unaudited) RMB' 000	Maturity	(Audited) RMB' 000
<b>Current</b>				
Bank loans – secured	<b>2021-2022</b>	<b>16,131,936</b>	2021	17,337,338
Bank loans – unsecured	<b>2021-2022</b>	<b>2,984,719</b>	2021	3,104,511
Other loans – secured	<b>2021-2022</b>	<b>170,383</b>	2021	320,250
Other loans – unsecured	<b>2021</b>	<b>21,000</b>		–
Bonds payable – unsecured	<b>2022</b>	<b>2,506,126</b>	2021	2,548,058
		<b>21,814,164</b>		<b>23,310,157</b>
<b>Non-current</b>				
Bank loans – secured	<b>2022-2034</b>	<b>5,228,740</b>	2022-2034	5,056,087
Bank loans – unsecured	<b>2023-2024</b>	<b>33,000</b>		–
Other loans – secured	<b>2024</b>	<b>67,510</b>	2022-2024	85,493
Bonds payable – unsecured	<b>2023-2026</b>	<b>1,944,285</b>	2022-2026	4,475,816
		<b>7,273,535</b>		<b>9,617,396</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 16. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

- i) Certain of the Group's bank and other borrowings are secured by:
  - (a) certain of the Group's buildings situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB1,409,298,000 (2020: RMB1,459,713,000);
  - (b) certain of the Group's leasehold land situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB94,186,000 (2020: RMB95,227,000);
  - (c) certain of the Group's investment properties situated in Mainland China which had an aggregate fair value at the end of the reporting period of approximately RMB2,385,216,000 (2020: RMB2,290,079,000);
  - (d) certain of the Group's property under development situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB908,523,000 (2020: RMB875,963,000);
  - (e) the Group's aircraft with a net carrying amount at the end of the reporting period of approximately RMB92,895,000 (2020: RMB103,376,000);
  - (f) certain of the Group's time deposits (note 14) amounting to RMB9,120,399,000 (2020: RMB10,476,638,000) and related interest receivables amounting to RMB122,817,000 (2020: RMB251,671,000), respectively, at the end of the reporting period;
  - (g) certain of the Group's financial assets at fair value through profit or loss with an aggregate fair value of approximately RMB430,407,000 (2020: RMB413,487,000);
  - (h) certain of the Group's financial assets at fair value through other comprehensive income with an aggregate fair value of approximately RMB229,097,000 (2020: RMB537,889,000); and
  - (i) certain of the Group's securities held as investment in an associate with an aggregate fair value of approximately RMB232,237,000 (2020: nil).
- ii) Except for the bank loans of EUR352,650,000 (equivalent to RMB2,712,424,000), all the Group's bank and other borrowings are denominated in RMB.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 17. CONVERTIBLE BONDS

On 17 April 2020, the Company, as issuer, and Hongkong Walnut Street Limited (“Pinduoduo”), a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Pinduoduo Inc., as subscriber, entered into a subscription agreement (the “Pinduoduo Subscription Agreement”) in relation to the subscription of the convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds, being US\$200 million. The revised conversion price is HK\$1.20 per share. Assuming that the conversion rights have been exercised in full, 1,300,000,000 new shares of the Company will be allotted and issued. The issuance was completed on 28 April 2020.

On 28 May 2020, the Company, as issuer, and JD.com International limited (“JD”), a limited liability company established in Hong Kong and a wholly-owned subsidiary of JD.com, Inc., as subscriber, entered into subscription agreement (the “JD Subscription Agreement”) in relation to the subscription of the convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds, being US\$100 million. The revised conversion price is HK\$1.24 per share. Assuming that the conversion rights have been exercised in full, 629,032,258 new shares of the Company will be allotted and issued. The issuance was completed on 30 June 2020.

The convertible bonds issued under the Pinduoduo Subscription Agreement and the JD Subscription Agreement (collectively the “CBs”) bear interest from (and including) the issuance date at the rate of 5% per annum payable annually. The CBs initially have a maturity date falling on the third anniversary of the issue date, which may be extended for another 2 years at the option of bondholders of the CBs under certain conditions.

Upon the occurrence of certain issuer redemption events, the Company has the option to redeem in whole (but not in part), the CBs then outstanding. Upon the occurrence of certain bondholder redemption events, the bondholders have the option to redeem in whole, or in part, the CBs then outstanding.

At the issuance date, the liability components, and above-mentioned conversion options, extension options and redemption options (collectively the “embedded derivatives”) of the CBs were measured at fair value. The liability components are presented as long term interest-bearing borrowings on the amortised cost basis until extinguished on conversion or redemption. The embedded derivatives are separated from liability components, presented as derivative financial liabilities at fair value. As at 30 June 2021, the fair value of the embedded derivative was RMB486,959,000 (31 December 2020: RMB351,332,000).

For further details of the convertible bonds, please refer to the related announcements of the Company on 19 April 2020, 28 April 2020, 28 May 2020, 30 June 2020 and 29 April 2021.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 18. SHARE-BASED PAYMENTS

### Restricted Share Award Scheme

The Company operates a restricted share award scheme (the “RSA Scheme”) to grant restricted share units (“RSUs”) to selected individuals being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company and/or its subsidiaries (the “Selected Participants”): (1) to recognise and motivate the contributions by Selected Participants and to give incentives there to in order to retain them for the continual operation and development of the Group; (2) to attract suitable personnel for further development of the Group; and (3) to provide certain employees with a direct economic interest in attaining a long-term employer-employee relationship between the Group and the employees. The RSA Scheme became effective on 3 October 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum amount of the fund to be contributed by the Company for purchasing the Company’s shares for the pool of the RSA Scheme is initially set at HK\$2,000,000,000. The maximum amount may be refreshed for such or other amount and at such time as determined by the board of directors after having taken into account the results and all relevant circumstances and affairs of the Group. The shares will be acquired by an independent trustee (the “Trustee”) at the cost of the Company and be held in trust for the Selected Participants until the end of each vesting period. Under the RSA Scheme, the Trustee shall not purchase any further shares if the relevant purchase would result in the Trustee holding in aggregate more than 10% of the total number of shares of the Company in issue.

As at the end of the reporting period, an accumulated sum of approximately HK\$1,289,065,000 (31 December 2020: HK\$1,289,065,000) (excluding transaction costs) has been used to acquire 1,506,543,000 (31 December 2020: 1,506,543,000) ordinary shares of the Company by the Trustee for the purpose to award shares of the Company to the Selected Participants under the RSA Scheme.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 18. SHARE-BASED PAYMENTS *(continued)*

### Restricted Share Award Scheme *(continued)*

During the six months ended 30 June 2021, nil (six months ended 30 June 2020: 498,556,000) RSUs have been granted to certain employees of the Group under the RSA Scheme, with the vesting of these RSUs subject to the fulfilment of certain market conditions that the market capitalisation of the Company is required to reach certain pre-determined values, non-market conditions and service conditions that the employees' continuous service to the Group through the vesting period. During the six months ended 30 June 2021, 99,758,000 (six months ended 30 June 2020: 35,061,000) RSUs have been vested with the fulfilment of certain market, non-market and service conditions. Total share award expenses recognised by the Group related to the RSUs for the six months ended 30 June 2021 amounted to RMB14,393,000 (six months ended 30 June 2020: RMB24,262,000).

Besides, during the six months ended 30 June 2021, 50,000,000 (six months ended 30 June 2020: 4,714,000) awarded shares, which have no vesting conditions, have been granted to certain employees of the Group under the RSA Scheme and share award expenses recognised by the Group related these awarded shares granted amounted to RMB35,808,000 (six months ended 30 June 2020: RMB2,982,000).

### Share Option Scheme

The shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") on 12 September 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Under the terms of the Share Option Scheme, the Company may grant up to 10% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting, while in no event should the further grants result in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this Share Option Scheme and the other share incentive schemes exceeding 30% of the total number of shares of the Company in issue from time to time.

No options have been granted by the Company since the adoption of the Share Option Scheme.

## 19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2021 (Unaudited) RMB' 000</b>	<b>31 December 2020 (Audited) RMB' 000</b>
Contracted, but not provided for:		
Property and equipment	<b>747,035</b>	733,996

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 20. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH INVESTEES

(a) In addition to the transactions and balances which are disclosed elsewhere in the interim condensed consolidated financial information, the Group had the following significant transactions with the related parties and investees:

	Notes	For the six months ended 30 June	
		2021	2020
		(Unaudited) RMB' 000	(Unaudited) RMB' 000
Transactions with GOME Property:	(i)		
Rental expenses*		<b>72,283</b>	50,036
Construction expenses*		<b>11,734</b>	42,453
Transactions with Beijing Xinhengji:	(i)		
Rental expenses***		<b>10,070</b>	8,632
Transactions with Anxun Logistics:	(i)		
Service fee*		<b>221,988</b>	269,439
Warehousing service income*		<b>71,540</b>	80,457
Warehousing service expenses*		<b>7,809</b>	15,295
Transactions with GOME Holding:	(i)		
Other services income **		<b>8,302</b>	12,068
Transactions with Meiyunbao:	(i)		
Supply of goods or service*		<b>6,499</b>	7,229
Purchase of goods or service*		<b>12,978</b>	13,051
Transactions with associates:	(ii)		
Purchases of goods***		<b>160,292</b>	-
Transactions with investees:	(iii)		
Interest income***		-	14,591

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 20. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH INVESTEES

*(continued)*

**(a) In addition to the transactions and balances which are disclosed elsewhere in the interim condensed consolidated financial information, the Group had the following significant transactions with the related parties and investees:**  
*(continued)*

- (i) These companies represent 國美地產控股有限公司 (“GOME Property Co., Ltd.” or “GOME Property”), 北京新恒基房地產集團有限公司 (“Beijing Xinhengji Property Co., Ltd.” or “Beijing Xinhengji”), 國美控股集團有限公司 (“GOME Holding Group Company Limited” or “GOME Holding”), Anxun Logistics and 美雲保(北京)科技服務有限公司 (“Meiyunbao Beijing Tech Service Co., Ltd.” or “Meiyunbao”). Except for Beijing Xinhengji, which is owned by a close member of the family of Mr. Wong, other companies are all owned by Mr. Wong.
  - (ii) Balance represented transactions with GOME Telecom (Zhejiang) Co., Ltd and its subsidiary.
  - (iii) Balance represented interest income related to loans to 國美通訊設備股份有限公司 (“Gome Telecom Equipment Co., Ltd.” Or “Gome Telecom”), which is accounted as investment in associates, and its subsidiary Zhejiang Dejing Electronic Technology Co., Ltd., which had been fully disposed of by GOME Telecom during the period, and the interest income from this related party represented interest income up to the disposal date.
- \* The transactions constitute continuing connected transaction under the Listing Rules.
- \*\* The transactions constitute continuing connected transaction under the Listing Rules but is exempted from all the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.
- \*\*\* The transactions do not constitute a continuing connected transaction under the Listing Rules.

NOTES TO THE INTERIM  
CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

**20. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH INVESTEES**

*(continued)*

**(b) Compensation of key management personnel of the Group:**

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>Unaudited RMB' 000</b>	Unaudited RMB' 000
Fees	<b>701</b>	1,087
Other emoluments:		
Salaries, allowances and other expense	<b>4,386</b>	3,646
Pension scheme contributions	<b>119</b>	54
Share award expense	<b>8,104</b>	4,713
	<b>13,310</b>	9,500

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than lease liabilities and those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2021 (Unaudited) RMB' 000	31 December 2020 (Audited) RMB' 000	30 June 2021 (Unaudited) RMB' 000	31 December 2020 (Audited) RMB' 000
<b>Financial assets</b>				
Financial assets at fair value				
through other comprehensive income	<b>424,415</b>	733,193	<b>424,415</b>	733,193
Financial assets at fair value				
through profit or loss	<b>2,282,605</b>	2,014,358	<b>2,282,605</b>	2,014,358
Financial assets included in prepayments, other receivables and other assets – non-current	<b>311,672</b>	294,776	<b>294,362</b>	275,273
<b>Total</b>	<b>3,018,692</b>	3,042,327	<b>3,001,382</b>	3,022,824
<b>Financial liabilities</b>				
Derivative financial liabilities	<b>486,959</b>	351,332	<b>486,959</b>	351,332
Interest-bearing bank and other borrowings with fixed interest rates – non-current	<b>3,898,455</b>	6,409,039	<b>3,729,223</b>	6,451,764
<b>Total</b>	<b>4,385,414</b>	6,760,371	<b>4,216,182</b>	6,803,096



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

*(continued)*

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, current loans to investees, trade and bills payables, financial assets included in prepayments, other receivables and other assets with short term maturities, financial liabilities included in other payables and accruals, amounts due from/to related parties, and interest-bearing bank and other borrowings with short term maturities or bearing floating interest rates approximate to their carrying amounts largely due to the short term maturities of these instruments or they bearing floating interest rates if they have long term maturities.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values: The fair values of non-current loans to investees, financial assets included in prepayments, other receivables and other assets with long term maturities and the non-current portion of other borrowings with fixed interest rates have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of other borrowings with fixed interest rates as at 30 June 2021 was assessed to be insignificant.

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

*(continued)*

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments included in financial assets at fair value through profit or loss or equity investments designated at fair value have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings (“P/E”) multiple and price to sales (“P/S”) multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments included in financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group issued convertible bonds with certain embedded derivatives. These embedded derivatives are measured using valuation techniques. The models incorporate significant unobservable inputs including volatility of stock price and risk-free interest rate. The carrying amounts of derivative financial liabilities are the same as their fair values.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Investment entities	Prior transaction	The latest transaction price	Not applicable	Not applicable
Other unquoted investments	Market approach and enterprise value allocation model	LOMD*	30 June 2021: 9.65%-26% (31 December 2020: 12.00%-35.00%)	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB1 million to RMB41 million
		P/E	30 June 2021: 34.78-36.77 (31 December 2020: 36.50-39.65)	5% increase (decrease) in the P/E would result in increase (decrease) in the fair value by RMB6 million to RMB31 million
		P/S	30 June 2021: 0.76-0.91 (31 December 2020: 0.86-1.72)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value by RMB0.5 million to RMB10 million
Derivative financial liabilities	Binominal tree model	Spot stock price	30 June 2021: HK\$1.00 (31 December 2020: HK\$0.93)	10% increase (decrease) in the spot stock price would result in increase (decrease) in the fair value by RMB66 million.
		Discount rate	30 June 2021: 9.794% to 10.104% (31 December 2020: 10.271%)	1% increase (decrease) in the discount rate would result in decrease (increase) in the fair value by RMB28 million.
		Risk-free rate	30 June 2021: 0.276% to 0.3% (31 December 2020: 0.323%)	0.1% increase (decrease) in risk-free rate will result in increase (decrease) in the fair value by RMB1 million.

\* The discount for lack of marketability ("LOMD") represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

NOTES TO THE INTERIM  
CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

**21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

*(continued)*

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021:

	Fair value measurement using			
	Total (Unaudited) RMB' 000	Quoted price in active markets (Level 1) (Unaudited) RMB' 000	Significant observable inputs (Level 2) (Unaudited) RMB' 000	Significant unobservable inputs (Level 3) (Unaudited) RMB' 000
Financial assets at fair value through other comprehensive income	424,415	229,097	-	195,318
Financial assets at fair value through profit or loss	2,282,605	653,327	-	1,629,278
<b>Total</b>	<b>2,707,020</b>	<b>882,424</b>	<b>-</b>	<b>1,824,596</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

### Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2020

	Fair value measurement using			
	Quoted price in active markets Total (Audited) RMB' 000	Significant observable inputs (Level 1) (Audited) RMB' 000	Significant unobservable inputs (Level 2) (Audited) RMB' 000	Significant unobservable inputs (Level 3) (Audited) RMB' 000
Financial assets at fair value through other comprehensive income	733,193	537,889	-	195,304
Financial assets at fair value through profit or loss	2,014,358	470,578	-	1,543,780
<b>Total</b>	<b>2,747,551</b>	<b>1,008,467</b>	<b>-</b>	<b>1,739,084</b>

NOTES TO THE INTERIM  
CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

**21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

*(continued)*

**Fair value hierarchy** *(continued)*

Assets measured at fair value: *(continued)*

The movements in fair value measurements within Level 3 during the period are as follows:

	<b>Financial assets at fair value through other comprehensive income RMB' 000</b>	<b>Financial assets at fair value through profit or loss RMB' 000</b>
At 1 January 2021	195,304	1,543,780
Purchases	-	39,000
Total gains recognised in the statement of profit or loss included in other income	-	46,498
Total losses recognised in other comprehensive income	14	-
At 30 June 2021	<u>195,318</u>	<u>1,629,278</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

### Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2021:

	Fair value measurement using			
	Quoted price in active markets Total (Unaudited) RMB' 000	Significant observable inputs (Level 2) (Unaudited) RMB' 000	Significant unobservable inputs (Level 3) (Unaudited) RMB' 000	
Derivative financial liabilities	486,959	-	-	486,959

As at 31 December 2020:

	Fair value measurement using			
	Quoted price in active markets Total (Unaudited) RMB' 000	Significant observable inputs (Level 2) (Unaudited) RMB' 000	Significant unobservable inputs (Level 3) (Unaudited) RMB' 000	
Derivative financial liabilities	351,332	-	-	351,332

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2020: Nil).

## 22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The Interim Financial Information was approved and authorised for issue by the board of directors of the Company on 27 August 2021.

**DISCLOSURE OF INTERESTS**

**(a) Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations**

As at 30 June 2021, the interests and short positions of the directors (the "Director(s)") of GOME Retail Holdings Limited (the "Company") and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

**Long positions in the shares, the underlying shares and debentures of the Company**

Name of Director/ Chief Executive	Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % of shareholding
Wang Jun Zhou ( <i>Note 1</i> )	22,000,000	-	-	-	22,000,000	0.09

*Note:*

- The relevant interests represented 22,000,000 shares of the Company (the "Share(s)") or underlying Shares granted to the Chief Executive pursuant to the restricted share award scheme adopted by the Company on 3 October 2016 as was particularly described in the section headed "Restricted Share Award Scheme" below. These Shares and underlying Shares were held by the Chief Executive beneficially.

**Short positions in the shares, the underlying shares and debentures of the Company**

Save as disclosed above, as at 30 June 2021, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## ADDITIONAL INFORMATION

### **(b) Directors' benefits from rights to acquire shares or debentures**

At no time during the period was the Company, any of its holding companies or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### **(c) Particulars of the directors' service contracts**

As at 30 June 2021, none of the Directors had entered or was proposing to enter into a service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

### **(d) Directors' interests in competing business**

During the six months ended 30 June 2021 (the "Reporting Period"), no Director of the Company was interested in any business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, whether directly or indirectly, with the businesses of the Group.

On 31 March 2016, the Company completed the acquisition of Artway Development Limited ("Artway", together with its subsidiaries, the "Artway Group"). The Artway Group was previously ultimately owned by Mr. Wong and operates an electrical appliances and consumer electronics products retail network under the trademark of "GOME Electrical Appliances", and related operation, (formerly referred to as the "Non-listed GOME Group"), mainly in cities other than the designated cities of the PRC in which the Group already had operations. Upon completion of the acquisition, the operations of Non-listed GOME Group has been combined with the operations of the Group. Accordingly, the Board considers that there is no longer any competition between the Group and Mr. Wong and his associates in the retail business of electrical appliances and consumer electronics products under the "GOME" brand name.

During the Reporting Period and upon completion of the acquisition of the Artway Group, Mr. Wong and his associates remained interested in 40% of 國美在線電子商務有限公司 ("GOME-on-line e-Commerce., Ltd" or "GOME-on-line"), a 60% non-wholly owned subsidiary of the Group. Since May 2012, the Group has operated GOME-on-line with no geographical restrictions.

### **(e) Material supplements to directors' profile**

There were no material supplements to the directors' profile during the Reporting Period.

### **RESTRICTED SHARE AWARD SCHEME**

The Company adopted a restricted share award scheme on 3 October 2016 (the “Share Award Scheme”). The purposes and objectives of the Share Award Scheme are to:

1. recognise and motivate the contributions by certain participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;
2. attract suitable personnel for further development of the Group; and
3. provide certain employees with a direct economic interest in attaining a long-term employer-employee relationship between the Group and certain employees.

As at 30 June 2021, a sum of approximately HK\$1,289,065,000 (excluding transaction costs) has been used to acquire 1,506,543,000 ordinary shares, representing approximately 6.32% of the issued share capital of the Company, from the market by the independent trustee.

Details of the Share Award Scheme are set out in the announcement of the Company dated 3 October 2016 and 6 October 2017 and note 18 to the interim financial information on pages 50 to 51.

## ADDITIONAL INFORMATION

### SHARE OPTION SCHEME

The share option scheme of the Company adopted on 15 April 2005 has expired and the shareholders of the Company approved the adoption of a new share option scheme (the “Share Option Scheme”) on 12 September 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Under the terms of the Share Option Scheme, the Company may grant up to 2,155,762,742 options, being 10% of the issued share capital of the Company on the date of the adoption of the Share Option Scheme.

No options have been granted by the Company since the adoption of the Share Option Scheme. During the six months ended 30 June 2021, no options have been granted, exercised, lapsed or cancelled, and the Company has no share options outstanding as at 30 June 2021.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and so far as is known to any Director or the Chief Executive, as at 30 June 2021, other than the Director or the Chief Executive as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the SFO:

#### (a) Substantial shareholders’ interests and short positions in the shares and underlying shares of the Company

Name of Shareholder	Nature	Number of ordinary Shares held	Approximate % of shareholding
Mr. Wong (Note 1)	Interest in controlled corporation	10,835,703,338	45.47
Ms. Du Juan (Note 2)	Interest in controlled corporation	10,835,703,338	45.47
Ever Ocean Investments Limited (Note 3)	Interest in controlled corporation	5,500,000,000	23.08
GOME Holdings Limited (Note 3)	Interest in controlled corporation	5,500,000,000	23.08
Power Charm Holdings Limited (Note 3)	Interest in controlled corporation	5,500,000,000	23.08
GOME Home Appliances (H.K.) Limited (Note 3)	Interest in controlled corporation	5,500,000,000	23.08
GOME Management Limited (Note 3)	Beneficial owner	5,500,000,000	23.08
Shinning Crown Holdings Inc. (Note 4)	Beneficial owner	4,454,979,938	18.69
Ark Trust (Hong Kong) Limited	Trustee	1,320,316,000	5.54
Pinduoduo Inc. (Note 5)	Interest in controlled corporation	1,300,000,000	5.45

## ADDITIONAL INFORMATION

*Notes:*

1. Of these 10,835,703,338 Shares, 5,500,000,000 Shares were held by GOME Management Limited, 4,454,979,938 Shares were held by Shinning Crown Holdings Inc. and 634,016,736 Shares were held by Shine Group Limited (all the above companies are 100% beneficially owned by Mr. Wong), and 240,955,927 Shares were held by Smart Captain Holdings Limited and 5,750,737 Shares were held by Wan Sheng Yuan Asset Management Company Limited (both companies are 100% beneficially owned by Ms. Du Juan, the spouse of Mr. Wong).
2. Ms. Du Juan is the spouse of Mr. Wong. The aforesaid Shares that Mr. Wong and Ms. Du Juan are deemed to be interested refer to the same parcel of Shares.
3. All these companies are 100% beneficially owned by Mr. Wong. The Shares held by these companies refer to the same parcel of Shares.
4. Shinning Crown Holdings Inc. is 100% beneficially owned by Mr. Wong.
5. These Shares represent the convertible bonds issued by the Company to a wholly owned subsidiary of Pinduoduo Inc. at an aggregate principal amount of US\$200 million with the conversion price of HK\$1.20 per Share at the agreed exchange rate of US\$1 to HK\$7.8. As at 30 June 2021, none of the convertible bonds have been converted.

**(b) Interests and short positions of other persons in the shares and underlying shares of the Company**

Save as disclosed above, so far as is known to any Director or Chief Executive, as at 30 June 2021, no other person (other than the Director or the Chief Executive of the Company), had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

## ADDITIONAL INFORMATION

### OTHER INFORMATION

#### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

- 1) In January 2021, the Group renewed the domestic bonds issued in 2016 in the PRC, the renewed aggregate principal amount was RMB937,399,000 with 7.6% coupon rate per annum and remaining term of 1 year.
- 2) In March 2021, the Group renewed the domestic bonds issued in 2019 in the PRC, the renewed aggregate principal amount was RMB16,211,000 with 7.8% coupon rate per annum and remaining term of 4 years. The Group will be entitled to adjust the coupon rate and the investors will be entitled to sell back the domestic bonds to the Group at the end of the second year.
- 3) On 2 March 2021, a total of 2,279,976,000 ordinary shares of the Company have been successfully placed at the placing price of HK\$1.97 per share. Please refer to the details of the placing in the paragraph headed "Placing of new shares under general mandate".

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

#### PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 2 March 2021, the Company conducted a top-up placing under which an aggregate 2,279,976,000 ordinary shares of the Company have been placed to not less than six independent placees at the placing price of HK\$1.97 per share under the general mandate granted to the directors on 29 June 2020. The 2,279,976,000 placing shares represent approximately 10.58% of the issued share capital of the Company as at the date of the subscription agreement and approximately 9.57% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares. The placing shares have a nominal value of HK\$56,999,400 and a market value of approximately HK\$5,289.5 million, based on the closing price of HK\$2.32 per Share on the 1 March 2021, the last trading day before the entering into of the placing agreement. The net price per share for the placing is approximately HK\$1.95 per Share. The net proceeds received by the Company from the placing, after deducting relating fees and expenses, were approximately HK\$4,449,453,000. As at 30 June 2021, the net proceeds of approximately HK\$4,449,453,000 have been used for business operation and to repay the debts and related interests of the Group. Details of the placing, please refer to the announcement of the Company dated 2 March 2021.

### **CHANGES TO THE BOARD**

There were no change to the Board during the six months ended 30 June 2021.

### **CORPORATE GOVERNANCE**

The Company is committed to upholding good corporate governance practices. For the six months ended 30 June 2021, the Company was in compliance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon specific enquiries made by the Company, all Directors have confirmed their compliance with the Model Code during the period under review.

### **DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES**

There were no information required for disclosure by the Company under Rules 13.20 of the Listing Rules during the six months ended 30 June 2021.

### **REVIEW BY AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed the interim report of the Company, together with the internal control and financial reporting matters of the Group, which includes the unaudited interim financial information of the Group for the six months ended 30 June 2021.

### **EVENTS AFTER THE REPORTING PERIOD**

The Group did not have any significant events taking place subsequent to 30 June 2021.

# CORPORATE INFORMATION

## DIRECTORS

### Executive Director

ZOU Xiao Chun

### Non-executive Directors

ZHANG Da Zhong (*Chairman*)

HUANG Xiu Hong

YU Sing Wong

### Independent Non-executive Directors

LEE Kong Wai, Conway

LIU Hong Yu

WANG Gao

## COMPANY SECRETARY

SZETO King Pui, Albert

## AUTHORISED REPRESENTATIVES

ZOU Xiao Chun

SZETO King Pui, Albert

## PRINCIPAL BANKERS

China Construction Bank

Industrial Bank

ICBC

Agricultural Bank

China Everbright Bank

## AUDITOR

Ernst & Young

Registered Public Interest Entity Auditor

## REGISTERED OFFICE

Victoria Place

5th Floor

31 Victoria Street

Hamilton HM10

Bermuda

## HEAD OFFICE

Suite 2915, 29th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

## PRINCIPAL SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited

4th Floor North

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

## BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited

Level 54 Hopewell Centre

183 Queen's Road East

Hong Kong